

Message Text

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PAGE 01 TUNIS 02729 191526Z

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PASS COMMERCE AND EXIMBANK

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SUBJ: MAJOR PROJECTS: TUNISIAN PLANS TO DEVELOP OFFSHORE GAS

REF: 75 TUNIS A-33

1. DURING RECENT CONVERSATION WITH PRESIDENT-DIRECTOR GENERAL BAHROUN OF TUNISIAN GAS AND ELECTRIC COMPANY (STEG), HE INFORMED VISITING EXIMBANK OFFICIALS MORAN AND HAMMOND OF TUNISIAN PLANS TO DEVELOP LARGE OFFSHORE GAS DEPOSITS RECENTLY DISCOVERED IN GULF OF GABES. HE NOTED THAT RECENT STUDY FOR STEG BY U.S. FIRM WILLIAMS BROTHERS OF FEASIBILITY OF DEVELOPING GAS CONSISTENT WITH SIMILAR STUDY DONE BY U.S. FIRM BROWN AND ROOT FOR FRENCH COMPANY ERAP-AQUITAINE, WHICH HOLDS GULF OF GABES PERMIT ON WHICH GAS HAS BEEN FOUND. RESERVES ON MISKAR FIELD ALONE BASED UPON TWO WILDCAT WELLS ABOUT 10 KMS. APART ARE ESTIMATED AT 80-150 BILLION CUBIC METERS. HOWEVER, WHILE QUALITY OF GAS FROM ONE TEST WAS EXCELLENT, SECOND WELL ON INCOMPLETE TEST SHOWED CONSIDERABLE SULPHUR AND UNDESIRABLE GASES. AS RESULT, GOT AND AQUITAINE INVESTING ABOUT 10 MILLION DINARS IN 1976 FOR TWO MORE EXPLORATORY WELLS USING U.S. DRILLING SHIP PENROD 70 AND OTHER ACTIVITIES TO CONFIRM FIND.

UNCLASSIFIED

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PAGE 02 TUNIS 02729 191526Z

2. DEPENDING UPON OUTCOME OF PROPOSED EXPLORATION, DEVELOPMENT OF MISKAR AND TWO OTHER NEARBY SMALL GAS FIELDS AND TRANSPORTATION OF GAS TO SHORE ARE ESTIMATED TO COST AROUND \$400 MILLION. PROJECT TO BE UNDERTAKEN BY NEW COMPANY OWNED JOINTLY BY AQUITAINE ANDGOT, WITH BOTH BEING RESPONSIBLE FOR PROVIDING THEIR HALF OF FINANCING. IN ORDER TO PERMIT WORK TO PROCEED EARLY IN 1977, FIRST YEAR OF NEW 5-YEAR PLAN, BAHROUN SAID 1976 PROGRAM ALSO INCLUDES ENGINEERING AND DESIGN WORK FOR OFFSHORE PRODUCTION PLATFORMS, COLLECTION SYSTEM AND PUMPING STATIONS. HE HOPES COMPANY CAN ISSUE INVITATIONS TO BID FOR THIS WORK IN EARLY 1977. IN ADDITION TO CONSTRUCTION SERVICES, PROJECT WILL INCLUDE GAS PIPELINES, GAS TURBINES, SEPARATORS, AND OTHER OILFIELD SUPPLIES AND EQUIPMENT. WHILE GAS PRODUCTION IS ESTIMATED AT 1.5 - 3.0 MILLION CUBIC METERS/DAY, SYSTEM TO BE DESIGNED TO HANDLE EVENTUAL 5 MILLION CU. M/DAY.

3. GAS IS TO BE DELIVERED BY NEW COMPANY TO TERMINAL SEVERAL MILES SOUTH OF SFAX WHERE STEG WILL TAKE POSSESSION OF GAS FOR INTERNAL DISTRIBUTION. COST OF DISTRIBUTION SYSTEM TO GABES, SFAX, SOUSSE/MONASTIR, TUNIS AND BIZERTE ESTIMATED AT \$150 MILLION. STEG WILL BE RESPONSIBLE FOR FINANCING THIS PORTION OF PROJECT WHICH WILL HOPEFULLY BE COMPLETED BY ABOUT 1980 TO COINCIDE WITH COMPLETION F SOUSSE POWER PROJECT (TUNIS 2680), MAJOR PHOSPHATIC-NITROGENOUS FERTILIZER PLANT IN GABES (75 TUNIS A-138), SOUSSE-NORD TOURIST COMPLEX AND SEVERAL OTHER CONTEMPLATED PROJECTS.

4. BAHROUN EXPRESSED HOPE THAT U.S. SUPPLIERS AND CONSTRUCTION AND ENGINEERING FIRMS WILL PARTICIPATE IN BOTH PROJECTS. HE STRESSED TUNISIA'S NEED FOR EXTERNAL FINANCING TO PERMIT IT TO MEET ITS RESPONSIBILITIES IN ALL PHASES OF GAS DEVELOPMENT AND EXPRESSED INTEREST IN EXIMBANK TERMS AND CONDITIONS.

5. BELIEVE USDOC CAN BRING ABOVE INFORMATION DIRECTLY TO ATTENTION OF INTERESTED U.S. FIRMS BUT SHOULD NOT PUBLICIZE IT IN "COMMERCE AMERICA" SINCE DECISION TO PROCEED STILL DEPENDENT UPON FURTHER ASSESSMENT OF GAS RESERVES.

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PAGE 03 TUNIS 02729 191526Z

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